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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
Treatment of Operator Services) CC Docket No. 93-124
Under Price Cap Regulation)

**COMMENTS
OF THE
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association (USTA) respectfully submits its comments in the above referenced proceeding. USTA is the principal trade association of the exchange carrier industry. Its members provide over 98 percent of the exchange carrier-provided access lines in the United States. Twelve of USTA's member companies currently operate under price cap regulation.

In a Notice of Proposed Rulemaking (Notice) released May 26, 1993 in this docket, the Commission is proposing to establish a new category in the Traffic Sensitive Basket to include the rates set by exchange carriers for operator services. USTA opposes the creation of a new category for operator services.

In the Commission's Order adopting price cap regulation for exchange carriers, the Commission used the existing interstate access tariff offerings to establish service categories.¹ The Commission noted that by placing services with somewhat similar customer bases, demand characteristics and technology into a

¹5 FCC Rcd 6786 (1990) at ¶ 216.

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single category, it would be able to strike a balance between ratepayer protections and limited pricing flexibility.² On reconsideration, the Commission listed several determinants for

new services.⁴ There is no reason to use this flawed structure
as the basis for creating new service categories under price can.

anticompetitive practices.⁶ Under TOCSIA, the Commission was required to establish regulations, to monitor operator service provider rates and to report to Congress on the progress made in achieving the goals and objectives set out in the Act. In its final report to Congress, the Commission found that "market forces are securing rates and charges that are just and reasonable, as evidenced by rate levels, costs, complaints, service quality, and other relevant factors. As our discussion indicates, we consider the availability and growing use of dial-around options of critical importance in this determination because this phenomenon shows that consumers are, in the vast majority of cases, paying rates for operator services that they consider to be just and reasonable."⁷

Based on the Commission's findings that market forces are securing just and reasonable rates for operator services, a new service category for operator services is not required. Exchange carriers should be permitted to take advantage of the limited pricing flexibility afforded by the current service category structure in provisioning operator services.

⁶47 U.S.C. § 226. See, also, S.Rep. No. 439, 101st Cong. 2d Sess. 1 (1990) ("The purpose of [the Act] is to protect telephone consumers against unfair prices and practices of some operator service providers, yet allow the legitimate companies in the

The Commission should resist further erosion of the limited pricing flexibility permitted in the original price cap plan, particularly in the face of increasing competition, by creating new service categories. At the inception of price cap regulation, the Commission recited the following principle: "We conclude that our baskets and bands approach can and should be tailored to give AT&T less flexibility in its pricing of residential and various less competitive services, and greater flexibility to price efficiently in more competitive areas."⁸

In furtherance of that principle, compare Figure 1, attached, AT&T's price cap plan at implementation, with Figure 2, AT&T's price cap plan today. In contrast, compare Figure 3, the LEC price cap plan at implementation with Figure 4, the LEC price cap plan in 1993. The latter plan certainly does not reflect the Commission's intention to "sharpen the competitiveness of this important segment of the industry [referring to exchange carriers] at a time when the markets for telecommunications goods and services are becoming increasingly competitive, both nationally and internationally".⁹

Further, the Commission should resist efforts to change the price cap rules prior to the initiation of the comprehensive review of price cap regulation. The Commission itself has stated

⁸4 FCC Rcd 2873 (1989) at ¶ 360.

⁹5 FCC Rcd 6786 (1990) at ¶ 28.

that, because it will entertain proposals to change the price cap rules during its review period, it intends to give carriers an opportunity to take advantage of the incentives that price cap regulation offers. Thus, requests for rule changes filed prior to the review "must sustain a heavy burden".¹⁰ This proposal does not meet that test.

Based on the foregoing, there is no need to create a new category under price cap regulation to include the rates set by exchange carriers for operator services.

Respectfully submitted,

UNITED STATES TELEPHONE ASSOCIATION

By: 

Martin T. McCue
General Counsel

Linda Kent
Associate General Counsel

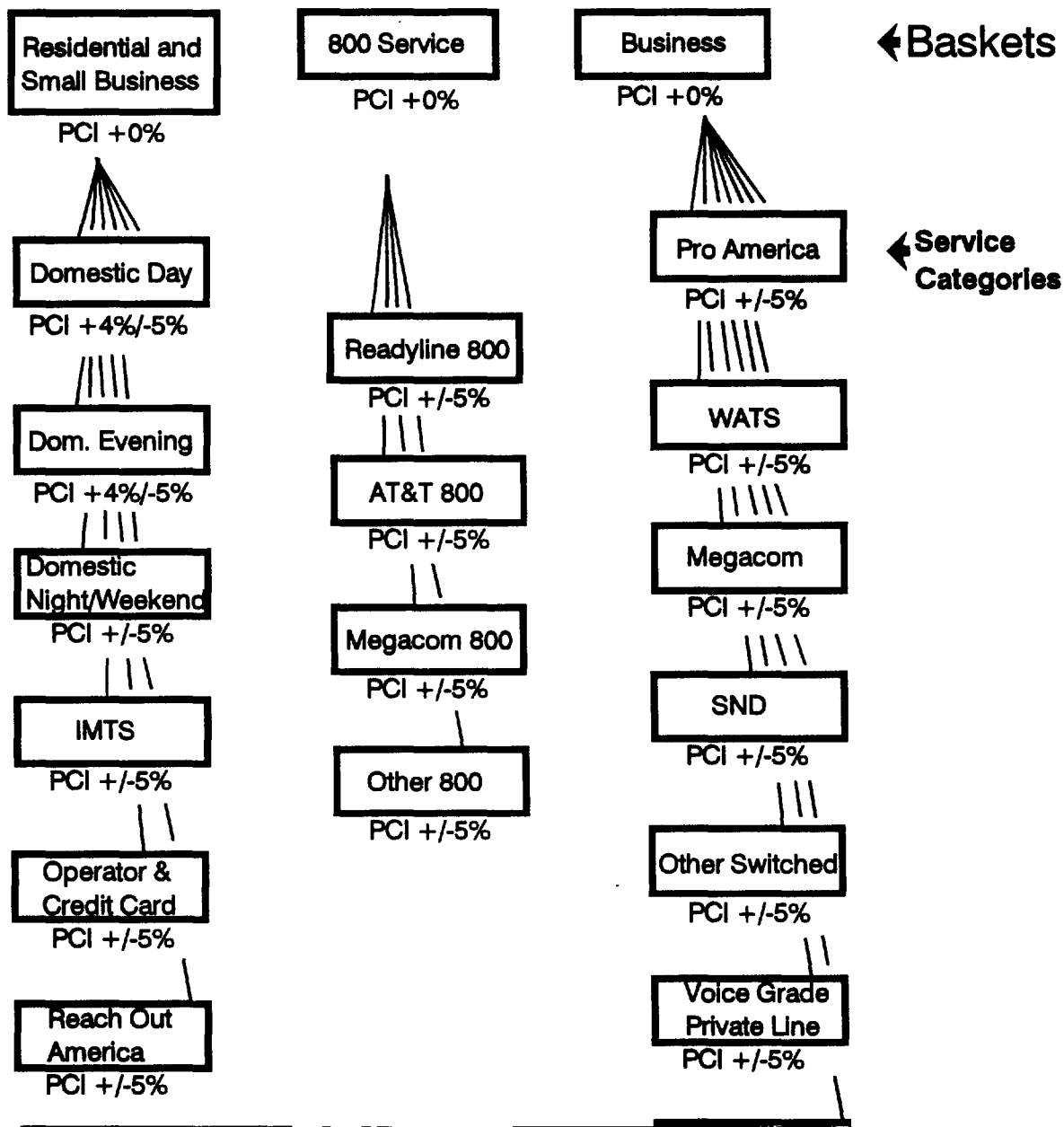
900 19th Street, NW, Suite 800
Washington, D. C. 20005-2106
(202) 835-3100

July 6, 1993

¹⁰Amendment of Part 61 of the Commission's Rules, RM-7481, Memorandum Opinion and Order, FCC 92-248, released October 15, 1992 at ¶ 5.

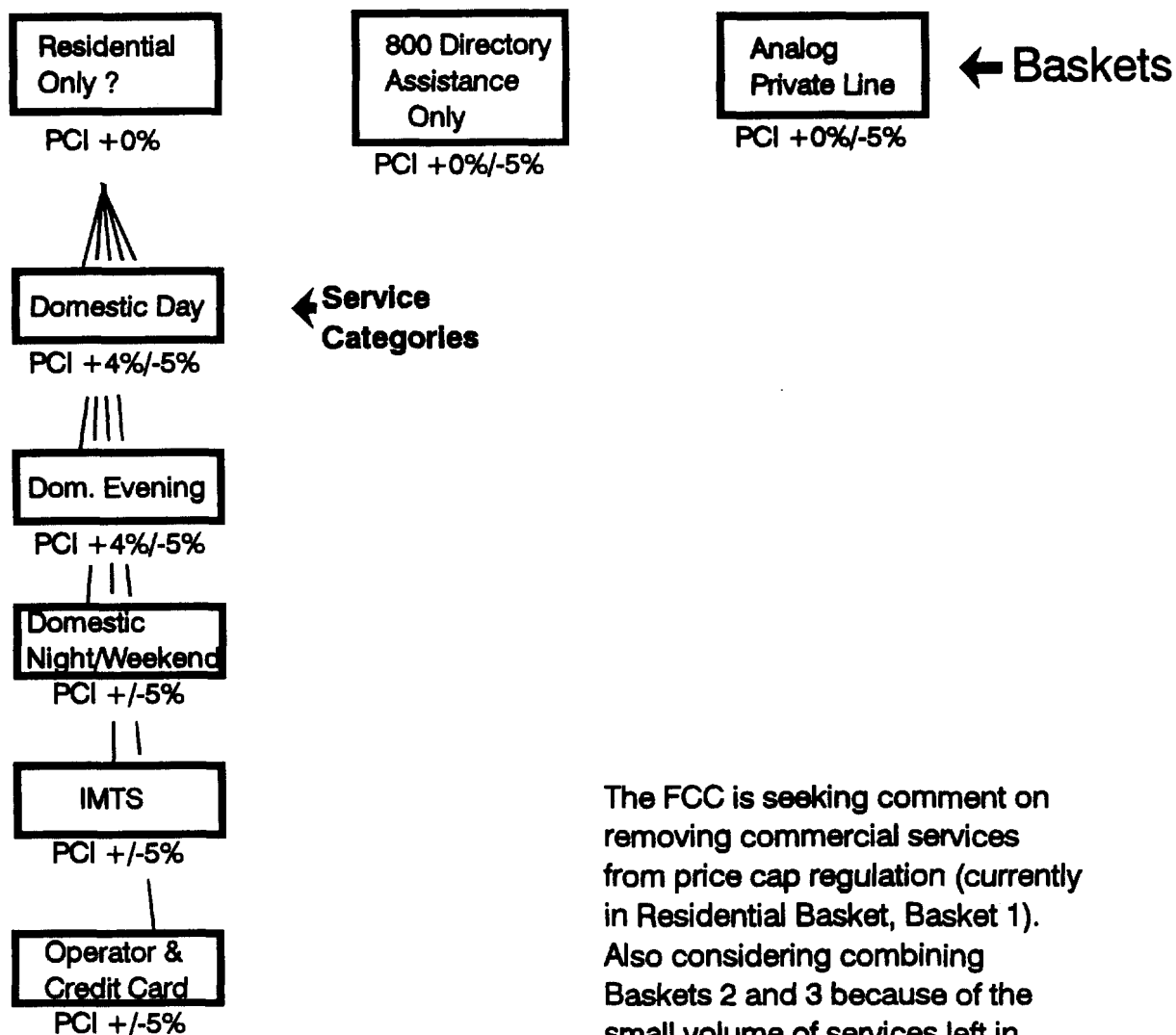
AT&T Price Cap Plan At Implementation (7-1-89)

Each Basket has its own Price Cap Index (PCI) = Inflation - Productivity Offset +/- Exogenous.



AT&T Price Cap Plan Now, with Proposed Changes

Each Basket has its own Price Cap Index (PCI) = Inflation - Productivity Offset +/- Exogenous.

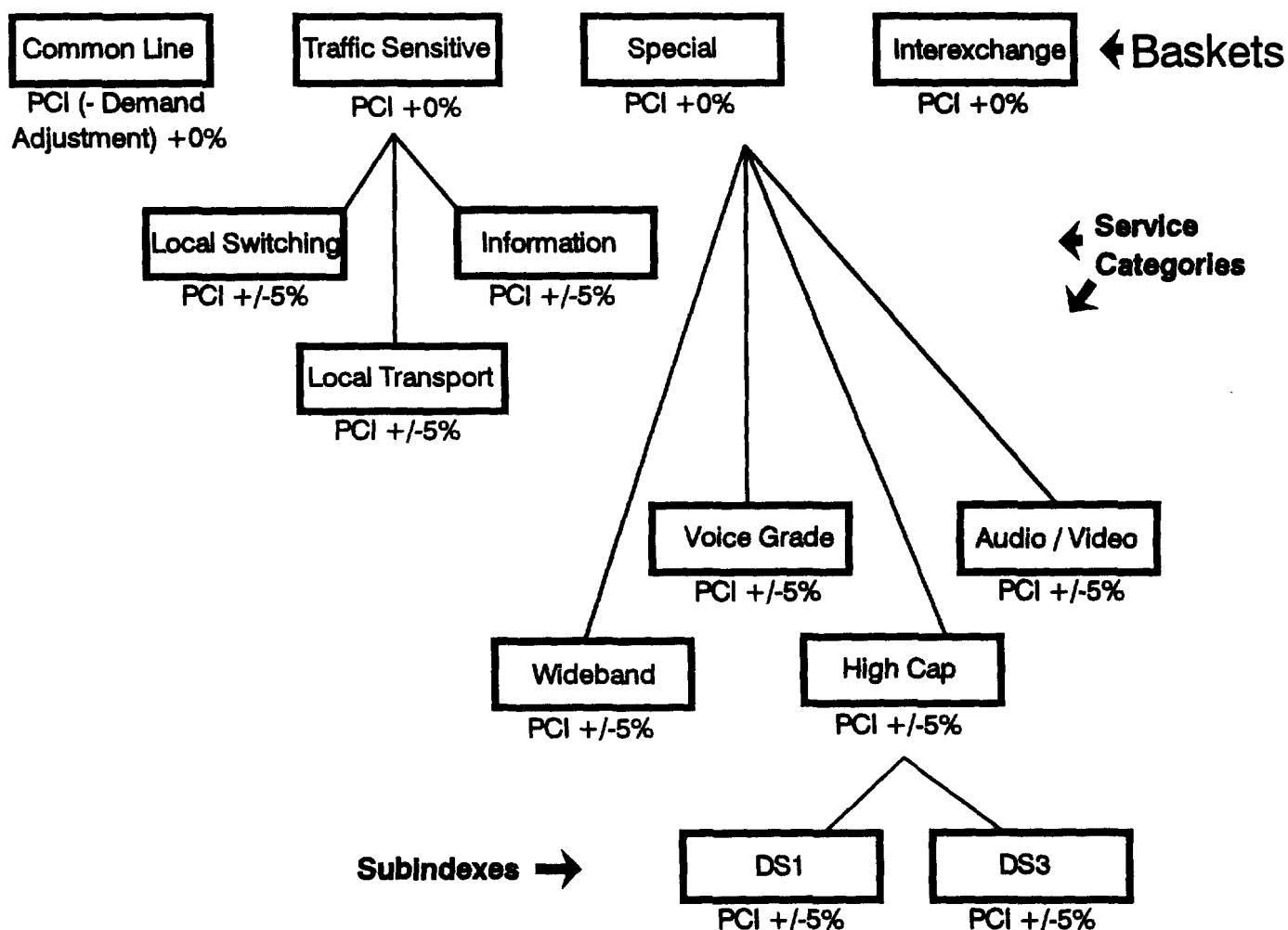


Excluded from price caps: ReachOut and other Optional Calling Plans, business services (except analog private line) including digital private line, WATS, 800 service (except 800 Directory Assistance), switched services, Megacom, Pro America, special construction, packet switching, Skynet, Tariff 11 services, Tariff 12 services (contracts, ICBs, special routing arrangements, Defense Network DTSN, VTNS), Tariff 15 services (Holiday Rate Plan, Competitive Pricing Plans), Tariff 16 services (FTS 2000, others). AT&T has rapidly expanded its contracted and customer-specific services.

FIGURE 3

LEC Price Cap Plan At Implementation (1-1-91)

Each Basket has its own Price Cap Index (PCI) = Inflation - Productivity Offset +/- Exogenous.



**Productivity Offset 3.3%, with 4.3% option.
50/50 Sharing, with eventual 100% sharing.**

Excluded from price caps: special construction; packet switching; PIC change charges; air-ground service; contract offerings in combination with interexchange carriers for services to the Federal Government.

LEC Price Cap Plan Now, with Proposed Changes

Each Basket has its own Price Cap Index (PCI) = Inflation - Productivity Offset +/- Exogenous.

